

Message Text

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70

ACTION XMB-04

INFO OCT-01 ARA-06 ISO-00 EB-07 TRSE-00 FRB-01 NSC-05

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FM AMEMBASSY MEXICO

TO SECSTATE WASHDC PRIORITY 5713

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EO 11652: N/A

TAGS: ETRD MX

SUBJ: EXIMBANK FINANCING SOUGHT FOR OIL MACHINERY EXPORT

EXIMBANK FOR EARL YOUNG

1. CARLOS FLUGEL, HEAD METALMAG MEXICO AND REPRESENTATIVE HERE OF TORRANCE MACHINES OF TORRANCE, CALIF., CALLED ON EMBECONOFF JAN 15 TO URGE EARLY DECISION EXIMBANK FINANCING FOR INITIAL 6 MILLION DOLLAR CREDIT FOR EXPORT TUBULAR CASING PRODUCING EQUIPMENT TO NEW FIRM.

2. PRODUCTOS TUBULARES MEXICANAS, S.A. (PROTUMSA) IS FIRM NOW BEING FORMED BY ALTOS HORNOS DE MEXICO, S.A. (AHMSA, A LEADING STEEL COMPANY), WHICH WILL HOLD A 60 PERCENT SHARE, AND GENSCO HOUSTON, A U.S. FIRM, WHICH WILL HAVE A 40 PERCENT SHARE. IMPORTED MACHINERY WILL PRODUCE TUBULAR CASINGS TO SUPPLY PETROLEOS MEXICANOS (PEMEX, STATE OIL AGENCY) AND FOR EXPORT. FLUGEL STRESSED THAT 6 MILLION DOLLAR CREDIT WAS ONLY INITIAL ORDER, AND THAT MUCH LARGER POTENTIAL INVOLVED.

3. PROBLEM IS THAT FRENCH FIRM DU JARDIN, WHICH HAS EXCELLENT CONNECTIONS WITH PADILLA SQGURA, HEAD OF AHMSA, ALSO BIDDING ON MACHINERY ORDER, AND IS

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OFFERING FINANCING DEAL WHICH IS HIGHLY COMPETITIVE

(10 PERCENT DOWN, TWO YEARS GRACE, SIX ADDITIONAL YEARS AT 6.85 PERCENT FIRM, NO ESCALATION). IN ABSENCE PROMPT PRELIMINARY COMMITMENT FROM EXIMBANK, BID WILL GO BY DEFAULT TO FRENCH FIRM. FLUGEL SUGGESTS THAT EXIMBANK (YOUNG) CONSULT TORRANCE EXECUTIVES OR PETER KNOWLES OF GENSCO HOUSTON FOR CONFIRMATION AND ADDITIONAL DETAILS.

4. EMBASSY WOULD APPRECIATE BEING KEPT INFORMED PROGRESS PC APPLICATION, AND OF COURSE WOULD BE HAPPY APPROACH AHMSA WHEN APPROPRIATE.
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